

Breaking Into Iraq's Marketplace

February 2006

Iraq's blend of hardworking, resourceful people, rich agricultural potential, abundant natural resources, and central location in the Middle East make it a country well positioned for trade and investment. The country's Gross Domestic Product and real incomes are rising significantly and unemployment is falling. A total of over 3,400 projects have been started, 2,200 completed, and more than 1,100 projects remain underway through the U.S.-funded Iraq reconstruction initiative. A recent [poll](#) of Iraqi public opinion shows that 65 percent of the population expects life will be much better or better by the end of 2006.¹ Free market reforms implemented by the Coalition Provisional Authority and the Government of Iraq since the end of hostilities continue to lay a good foundation for foreign investors.

However, there are significant challenges that companies confront in Iraq, led by security and lack of reliable data. The following market entry strategies may be of interest to companies evaluating the Iraqi market.

Market Entry Strategies

Connect with Iraq's Private Sector

Working directly with Iraq's private sector maximizes opportunities for long-term growth and return on investment. However, foreign companies are learning this approach comes with challenges since most Iraqi companies lack competitive track records, internationally-recognized accounting practices and financial statements, business skills, financing, and equipment. These drawbacks will lessen as Iraqi companies exhibit a desire to become internationally competitive and recognize the advantages of partnering with a seasoned international firm.

There are a number of ways to identify a good Iraqi partner. The Commerce Department's [Iraq Investment and Reconstruction Task Force](#)² in Washington, DC and U.S. Commercial Service team stationed at the U.S. Embassies in [Baghdad](#)³ and [Amman](#)⁴ are developing contacts with Iraqi companies. In addition, these offices provide business counseling services and the U.S. Commercial Service is hoping to facilitate access to due diligence checks on Iraqi firms and agent identification in the course of 2006.

Tapping into the Iraqi-American community is another good starting point. The Detroit, Michigan metro area is home to a number of business associations with strong Iraqi membership.

¹ The International Republican Institute's "Survey of Iraqi Public Opinion – November 01-11, 2005" available at: <http://www.iri.org/pdfs/11-23-05-Iraq%20poll%20presentation.ppt>

² <http://www.export.gov/iraq>

³ <http://www.buyusa.gov/iraq>

⁴ <http://www.buyusa.gov/jordan>

An increasingly popular though temporary strategy is to locate a regional office in a neighboring country like Jordan, Kuwait, or the U.A.E. as a gateway into the Iraqi market. For example, historically, Iraq is Jordan's primary trading partner and Amman's business community has a long history of working with Iraqi firms. Jordan's stable politics, investor-friendly policies, and scheduled air service from Amman to Baghdad and Erbil in the North make it an attractive base for companies doing business in Iraq.

Another strategy involves targeting Iraq's northern Kurdistan region as a gateway for investment in Iraq. In part due to its semi-autonomous status since the early 1990s, the Kurdistan region boasts of a well-organized regional government and relatively stable economy, making it home to a host of early entrant investors, some of whom will be poised for expansion into Central and Southern Iraq once the security environment improves. In 2005, direct flights were launched connecting Amman, Dubai, Frankfurt, and Stockholm with Erbil International Airport, capital of the Kurdistan region, with plans to launch direct service from Austria, the U.K., and Turkey in the near future.⁵ Additionally, civilian charter aircraft began servicing the Sulaymaniyah Airport to and from Europe in the second half of 2005.

Networking at conferences and exhibitions like "[Rebuild Iraq 2006](#)" (May 08-11, 2006, Amman, Jordan) provides U.S. companies with the opportunity to meet many potential Iraqi partners.⁶ Additionally, sizeable delegations of potential Iraqi buyers or partners are now coming to shows in the United States, like the World Ag Expo in Tulare, California in mid-February.⁷

Offer Industry Externships

The U.S. Embassy in Baghdad suggests that U.S. companies consider funding 2-4 week externships for Iraqi Government officials or private sector representatives to visit the United States and learn about the technology, business practices, and culture of the host company. This type of relationship may ultimately provide the U.S. company with an edge in the Iraqi market. The U.S. Embassy can help U.S. companies identify Iraqis who would benefit from these externships.

Establish Demonstration Projects

Iraq's Government, private sector and consumer are all thirsty for the latest technology that can be adapted to and maintained in a country still making up for over a decade of isolation and severe under-investment in human and real capital. U.S. companies may consider setting-up a demonstration site in-country to give Iraqi customers better access to the technology. The U.S. Embassy in Baghdad can offer suggestions to U.S. companies interested in this opportunity to showcase their capabilities.

⁵ For more information on direct air service into Erbil, please visit the Kurdistan Development Corporation's website at: <http://www.kurdistancorporation.com/zaid.html>

⁶ For more information, please visit the event website at: <http://www.rebuild-iraq-expo.com>

⁷ For more information, please visit the event website at: <http://www.worldagexpo.com>

Work with the Ministries

Iraqi Government Contracting Iraqi Ministries, including state-owned firms and local governments, are awarding contracts through Iraq's national budget. Many of these Ministries have an internal office that handles the procurement process. Ministry tenders are generally announced on [Iraqi Government websites](#)⁸, where available, or via advertisements in [Iraqi newspapers](#).⁹ Some newspapers, such as [Iraq Today](#)¹⁰, are available on the Internet, for a fee, in English. Companies that sign up for the IIRTF's "[IraqAlert](#)" service will receive emails regarding the latest Ministry tenders.¹¹

Pursue Reconstruction Contracts

Donor Country Support The World Bank and United Nations, through the International Reconstruction Fund Facility for Iraq (IRFFI), are ramping-up activity with the approximately \$13.5 billion dollars in pledged donor funds. For the best information, the IIRTF website offers a [Guide to Donor Country Support for Iraq Reconstruction](#)¹² and associated procurement opportunities, complete with contact information at the World Bank and United Nations.

U.S. Government Contracting Some companies have gained success as subcontractors to prime contractors working for the U.S. Government Iraq Relief and Reconstruction Fund (IRRF). However, these opportunities are diminishing as the IRRF effort winds down. Of the \$18.4 billion allocated for IRRF, over \$17 billion has been committed and over \$15 billion has been allocated. Those firms who are still interested in pursuing subcontracts through the IRRF should contact the prime contractors directly since they are responsible for choosing their own business partners. Prime contractors are required to allocate 10 percent and are encouraged through incentives to fulfill 23 percent of a contract to U.S. small, disadvantaged, or minority businesses. Information on prime contractors, including a list of company representatives responsible for subcontractor business development, is available on the U.S. Department of Commerce's Iraq Investment & Reconstruction Task Force (IIRTF) [website](#).¹³ Businesses are encouraged to first consult the websites of these prime contractors because most require potential subcontractors and suppliers to register online.

Foreign companies should focus on finding an Iraqi partner with knowledge of the market, including local patterns of doing business. Companies competing for U.S.-funded reconstruction projects, that demonstrate strong ties to Iraqi partners in their subcontracting plans, gain an advantage in the bidding process because prime contractors working for the U.S. Government seek to maximize local participation and capacity-building.

⁸ <http://www.export.gov/iraq/links/index.html#ministries>

⁹ <http://www.onlinenewspapers.com/iraq.htm>

¹⁰ <http://www.iraq-today.com>

¹¹ <http://ita-web.ita.doc.gov/iraqreg>

¹² http://www.export.gov/iraq/pdf/donor_country_support_for_iraq_reconstruction.pdf

¹³ http://www.export.gov/iraq/market_ops/contracts.html

Information Resources

The U.S. Department of Commerce's IIRTF works closely with the U.S. Embassy in Baghdad, other U.S. Government agencies, and international organizations to provide U.S. companies with the latest information on the commercial environment and potential reconstruction business opportunities in Iraq. Companies may contact the IIRTF for business counseling at tel. (202) 482-3011 or e-mail IraqInfo@mail.doc.gov. The IIRTF Internet export portal is available at www.export.gov/iraq.

For in-country support please contact the Foreign Commercial Service, U.S. Embassy/Baghdad at: Andy.Wylegala@mail.doc.gov or Bill.Crawford@mail.doc.gov and visit www.buyusa.gov/iraq.

This is the first report in a series sponsored by the U.S. Department of Commerce's Iraq Investment and Reconstruction Task Force covering business opportunities in Iraq. Readers may also be interested in the U.S. Embassy's "Iraq e-Rocket" market research series, available at <http://www.buyusa.gov/iraq/en/erocket.html>.

Drafted by: Stephen L. Green, U.S. Department of Commerce, e-mail: Steve.Green@mail.doc.gov, tel. (202) 482-4202